



Legislative Research Council

MINUTES

Agricultural Land Assessment Implementation and Oversight Advisory Task Force

Senator Jim Peterson, Chair
Mr. Larry Rhoden, Vice Chair

**First Meeting
2015 Interim
July 20, 2015**

**Room 413
State Capitol
Pierre, South Dakota**

Monday, July 20, 2015

The first 2015 interim meeting of the Legislative Research Council Agricultural Land Assessment Implementation and Oversight Advisory Task Force at 10:00 a.m. (CDT), July 20, 2015, in Room 413 of the State Capitol, Pierre, South Dakota.

A quorum was present with the following members answering roll call: Senators Gary Cammack, Jim Peterson, Billie Sutton, and Larry Tidemann; Representatives Julie Bartling, Mary Duvall, Dennis Feickert, and Lee Qualm; Kirk Chaffee, Trevor Cramer, Lyle Perman, Larry Rhoden, Kim Vanneman, and Mike Wiese. Members excused:

Staff members present included Fred Baatz, Principal Research Analyst; Amanda Jacobs, Research Analyst, and Rena Ortbahn, Legislative Committee Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC) and some documents can be found on the LRC website at <http://legis.sd.gov/Interim/CommitteeDocuments.aspx?Session=2014>.

Opening Remarks

Mr. Larry Rhoden, past chair, invited the committee members and staff to introduce themselves.

Election of Officers

Senator Gary Cammack moved, seconded by Senator Billie Sutton, that Senator Jim Peterson be Chair of the 2015 Ag Land Assessment Task Force.

Representative Mary Duvall, seconded by Representative Dennis Feickert moved that nominations cease. The motion passed by voice vote.

The motion for chair passed on a roll call vote with 13 voting YEA and 1 voting NAY. Those voting YEA: Bartling, Duvall, Feickert, Qualm, Cammack, Sutton, Tidemann, Chaffee, Cramer, Perman, Rhoden, Vanneman, and Wiese. Those voting NAY: Peterson

Mr. Larry Rhoden welcomed Senator Peterson as the new chair, and Senator Peterson commented that the Ag Land Assessment Task Force has always been a committee where politics has not played a part of the process.

Chair Peterson opened nominations for Vice Chair. **Representative Mary Duvall moved that Mr. Larry Rhoden be Vice Chair. Representative Lee Qualm, seconded by Representative Dennis Feickert, moved that nominations cease and that a unanimous vote be cast for Vice Chair.** The motion passed unanimously by voice vote.

Senator Peterson said the task force goal for this meeting is to agree on objectives for this interim's summer study. One goal he suggested is that all native grasslands be assessed as noncropland. If the ground was never tilled it would qualify as noncropland, but the burden of proof would be on the landowners.

Another possible area of task force discussion would be how county directors of equalization are handling easements on cropland soils. It appears that some landowners are receiving partial adjustments while others are not.

Senator Peterson also discussed the maximum property tax levies established in SB1 for county roads and bridges that vary based on the total taxable value of counties.

Is there too large of a tax shift going on? County property tax levies are only allowed to increase at the rate of CPI or 3%, whichever is less. Ag land has doubled in value in some counties in eastern South Dakota and the county property tax levies per \$1,000 of taxable value have dropped 20 – 25%. However, the total taxes collected have shifted onto ag land. Because the valuations are going up so much in some of these school districts, they are qualifying for less state aid, due to the Cutler Gabriel amendment.

Senator Sutton said the issue of small ag acreages and timber classifications has not been resolved and hopes to figure out how to come to a consensus.

Mr. Mike Wiese said there is a cap on the amount of taxes that ag pays for school district general funds, but there have been shifts as to where other contributions are made. Some counties are at full productivity value and others are not.

Senator Peterson said that some of the hold harmless provisions regarding school district levies for capital outlays and pension funds we put in place a few years ago, really didn't work as well as we hoped. If the property taxable valuation went up over 10%, then they had to go back to 3% or CPI.

Mr. Chaffee thinks the committee should address the small acres classification of ag, including timber.

Review of the School District General Fund Formula

Ms. Tami Darnall, Director, Office of Finance and Management, Department of Education reviewed the State Aid Funding Formula (**Document #1**). She reviewed the formulas currently being used for determining per student allocation (PSA), state aid, fall enrollment figures, declining enrollment adjustments, the small school adjustment formula (SSA), and the limited English proficiency adjustment (LEP).

The FY 2016 per student allocation (PSA) per state statute is \$4,876.76. Per student allocation is in state statute and allows for yearly increases based on the increase from the previous year's consumer price index (CPI), or by three percent, whichever is less. The small school adjustment (SSA) formula is a basic slope formula - as the student number increases, the amount per student goes down. Funding for LEP adjustments is a partnership between state dollars and local property taxes.

Ms. Darnell reviewed local effort, which is taxes generated by applying the general fund levies tied to the property valuations. The 2016 levies were set by the 2015 Legislature. She pointed out that school general fund levies is the only area where levies are set differently for each property class. The levies for pay 2016/\$1000 of taxable valuation for the Ag, Owner Occupied, and Other property classifications are: \$1.568, \$4.075, and \$8.725, respectively.

She explained the state constitution empowers the Legislature to classify properties within school districts into separate classes for purposes of school taxation. Referring to a concern of Senator Peterson, she said the constitution also states that taxes shall be uniform on all property in the same class.

Property taxes are paid on a calendar year of January through December, while state aid is calculated on a fiscal year from July through June, meaning $\frac{1}{2}$ of the current calendar year and $\frac{1}{2}$ of the next calendar year is used when calculating local effort.

Ms. Darnell explained how levies are determined. The Cutler-Gabriel Amendment requires that state and local effort maintain the same ratio for state aid. The state's share is currently at 53.8% while the ag share of local effort is targeted at 18.45%. To set the levies, the department has to look at two calendar years. For example, to set the levies for Pay 2016, they must estimate property valuations for the calendar year 2016 and look ahead and estimate the state aid need for FY 2017. They determine the levy needed for each property classification to meet local effort need for the year after the one being budgeted; target ag at 18.45% and maintain proportionality with the other classifications. Adjustments made for lost local effort are figured into the formula.

She showed that 2016 and 2017 valuations are based on known pay 2015 valuations, estimated growth is factored in to determine both estimated pay 2016 valuations and estimated pay 2017 valuations.

Ms. Darnall said determining the levies is the hardest part of the formula to understand. Basically for the three property classifications, $\frac{1}{2}$ of estimated pay for 2016 plus $\frac{1}{2}$ of estimated pay 2017 equals the Total (Base Effort). The levies are established maintaining ag at 18.45% of the total with owner occupied and Other maintaining proportionality for a 2016 goal of \$330,672,163.25. Ms. Darnall presented formulas as to how the local effort and the state share is determined at the state and district levels. She explained that the local effort differs by district.

Responding to a request from Mr. Wiese, Ms. Darnell will provide two or three years of historical information about the variations of local effort by district.

Mr. Rhoden provided some history to as to why ag levies are targeted at 18.45%. Ag was separated from other property valuations, so if the valuations for ag went down, the tax levy would go up. However, the exact opposites happened and ag values went up. He said, as a result the tax levy has dropped dramatically; but that doesn't represent a tax decrease for ag. Overall, school tax revenue from ag has increased due to the taxes paid for special education, capital outlay fund, and pension fund. These taxes have shifted from owner-occupied and nonag to ag land.

Senator Peterson said you have to look at the picture as a whole; just don't look at the one property tax levy on general school funding. He said the significant increase to ag valuations has been a big benefit to the other classes of property.

Report on Professional Range Management Class

Task force members Mr. Lyle Perman and Mr. Kirk Chaffee provided the task force with a short overview of a Range Management Class they had attended. They said the class covered plant

identification, soil health, range monitoring, the importance of native grasses and rental rates comparison between the surveys and county records.

Mr. Perman believes that the grazing stick is the quick and easy way to determine range capacity. He said it would benefit the task force to see the rainfall simulator, and he thinks the web soil survey is a great tool that many could benefit from in farm/ranch management. He referred to a survey that 110 farms participated in over the last seven years. He said the results show the economic reasons why we are losing grassland throughout South Dakota. Basically, to meet the family living expenses, a farm family needs 684 acres of cropland or 887 head of cattle. **(Document #2, Farm/Ranch Management 2014 South Dakota Annual Report, pages 19, 59 & 60).**

Senator Peterson added that the rainfall simulator shows the value of native grassland and that the difference between native grassland capacities to hold water compared to tilled soil is unbelievable. He said the class provides a working knowledge of how to look at and manage soil. Senator Cammack commented the actions we take on rangeland have affects we can see 100 years later. Representative Qualm said that native grassland is very important and we should do what we can do to preserve it.

Senator Peterson recessed the committee at 11:50 a.m. and reconvened at 1:15 p.m.

Overview of Property Assessment Legislation

Mr. Fred Baatz, Principal Research Analyst, Legislative Research Council, reviewed the history of property assessment and the taxation legislation from the 1980's to the present, and provided an update on the development of the current productivity system since 2008 **(Document #3)**.

Mr. Baatz said property taxes raise over a billion dollars a year; it is the primary source of funding for many local governments; and that people have been trying to change it for decades. The sales and income tax, enacted in 1935, was known as the "Property Tax Relief Act". He said attempts to limit property taxes have been placed on the ballot and failed to pass in 1980, 1988, 1990, 1994, and 2006; although each attempt prior to 1995 came closer to passing.

The counties were granted authority by the 1977 Legislature to assess property at the marketable value and to set taxable percentages for Ag and Nonag land. The taxable percentages and the assessments varied from county to county, which led to some problems. The procedure for valuing real property was revised in 1989 via SB 12, which enacted cost and market income approaches; added factors for valuing ag land; permitted establishment of regions within a county; allowed for eight classes of soil types; and required assessment rates from 85% to 100%. Many of these provisions are found in SDCL Chapter 10-6, which has been amended twenty-eight out of the last thirty-two years.

The 60% maximum taxable percentage that had been in use since 1977 was repealed in 1989 via SB 15, and the maximum property tax levies for each local government were adjusted. Governor Mickelson's property tax freeze for taxes payable in 1990 and 1991 was also enacted in 1989.

Governor Janklow's 1995 Property Tax Relief Legislation included a property tax limitation provision. This limited the annual increase of property tax revenue to the lower of CPI or 3% plus a growth factor. Additional property tax relief was also provided to the taxpayers by the 1998 and 2000 Legislatures.

A temporary ag task force was created in 2000 via HB 1005. The task force worked with SDSU to conduct a pilot study on agricultural income value in nine counties.

The present productivity system was enacted in 2008 with the passage of HB 1005 and HB 1006; largely due to the efforts of the interim 2007 Property Tax Assessment Study Committee.

Since 2008, the Ag Land Task Force has introduced legislation concerning the assessment of ag land. HB 1001 and 1002, introduced in 2011, provided additional tools to assessors to make adjustments on ag land.

By the 2012 session, commodity prices had increased dramatically. To allow for a catchup in the productivity system assessment values, HB 1003 was enacted. It revised the limitations on the increases and decreases that may be made to the assessed value of cropland and noncropland from one year to the next.

An attempt to restrict the term of conservation easements in the 2013 session failed as did the attempt to assess ag land based on its actual use in the 2014 session. In the 2014 session, legislation to address the capital outlay levies for school districts also failed. Legislation cleaning up certain ag land assessment provisions was enacted during the 2015 session.

Mr. Baatz said that since his tenure at LRC, 53% of the interim property tax committee bills have passed. He believes the success of bills introduced by interim committees is similar to those introduced by the legislative body as a whole.

Mr. Baatz then provided a further history of the productivity value legislation originally passed by the 2008 Legislature, including the creation of cropland and noncropland categories. He explained that the landlord share was determined in a manner to minimize shifts between cropland and noncropland and the capitalization rate was established to minimize the shift between ag land and the other classifications.

Responding to a question from Senator Tiedemann about farmland that is classified as nonag, Mr. Baatz explained that unless land meets two out of the three criteria listed in statute, the land will be classified as nonag. Senator Peterson added that county commissioners are empowered by state statute to set the minimum size of ag land within counties. Mr. Baatz said if nonag land is farmed, its value is based on market value of similar types of nonag properties.

Mr. Rhoden said the criteria for qualifying for ag is an ongoing issue, specifically the income requirement.

Ag Land Assessment – Report on the 2016 Assessment Information

Mr. Michael Houdyshell, Director, Division of Property and Special Taxes, Department of Revenue provided the committee with an overview of agricultural land assessment under the productivity system and the capital outlay issue (**Document #4**).

Agricultural land since 2010 has been assessed based on its productivity value. The Department of Revenue, in coordination with SDSU, yearly determines each county's average assessed value per acre for cropland and noncropland. The county directors of equalization then spread these values according to the soil survey, which has been used since the early 1980's to determine the productivity of a parcel. Taxes for the current year are based on the previous year's assessments.

Mr. Houdyshell explained the formula for determining the Agricultural Income Value for both cropland and noncropland, including the capitalization rate and landlord share. The capitalization rate and landlord share are reviewed every year with the task force and basically have worked since 2010 to generate the needed annual gross revenue.

He explained that an eight year Olympic average is used to determine gross revenue per acre and average cash rent. The soil survey is the basis for rating each parcel of land in a county. Multiplying the soil ratings times the value per acre (cropland or noncropland) for each parcel of land, determines the value of that particular soil.

Full productivity value will be reached by 2020. Presently six counties in the state are at full productivity for cropland and all but one at full productivity for noncropland. Many more counties are projected to be at or close to full productivity for cropland in 2016.

Commodity prices have been increasing steadily since the implementation of the productivity model. Statewide, ag land valuations are presently at \$31.5 billion, an increase of \$11.8 billion since 2011. The total statewide valuation is presently \$75.8 billion, an increase of \$16.9 billion since 2011. Approximately 70% of the total statewide increase in valuations since 2011 has been in the ag lands valuation.

After property taxes payable in 2015, the taxes for the school cap outlay fund and the pension fund will not be limited by property tax limitation provisions. Mr. Houdyshell advised that taxpayers should pay attention to the local school board discussions within the next month and monitor what takes place. He thinks further increases in capital outlay fund taxes will be mitigated somewhat by the slowing in growth of ag land valuations.

Uses for capital outlay have broadened over the years from what is considered typical outlay expenditures. Temporary uses that were allowed in 2009 will sunset on June 30, 2018.

Mr. Houdyshell ended his overview by summarizing where the money from property taxes goes – in 2014 approximately 56% to the schools, 42% to other local governments, and 2% to special assessments.

Mr. Rhoden said that the loss of ag land to urban sprawl is pretty significant in the long term. Remembering the history of the task force, he said the task force initially had two charges. First no shifts from ag to nonag; and within ag no shift from cropland to noncropland. The cap rate has insured no shift from ag to nonag while the landowner share has been the mechanism to prevent a shift within ag.

Mr. Houdyshell said in the last year the Department of Revenue has been updating the older soil tables (Table 1) being used by the counties, to bring them into conformance with the web soil surveys that NCRS uses – which are the most up to date information. Over the next couple weeks the department will start distributing this information to the counties that have been completed so far.

Mr. Cramer asked why the sunset on capital outlay fund uses when all the money comes from local effort? Mr. Rhoden answered the capital outlay fund levy is less restrictive than the general fund levy.

Senator Peterson added that the Legislature has opened up use of capital outlay for about 45% of the expenditures of funds that would normally not come out of capital outlay. He recognizes that the schools need the extra funding and the state does not have the extra funding to provide, so unless there is another source of funding, it falls back onto property taxes.

Mr. Houdyshell will provide the committee with an update on the percentage of tax paid compared to net income.

Ms. Wendy Semmler, Property Tax Program Manager, Department of Revenue said the plan is to get all the updated Table 1's, using the new web soil survey, implemented by the 2017 assessment year.

Ms. Semmler has worked closely with SDSU in compiling the 2016 numbers for productivity data (**Document #5**). She referred to a chart showing how near the counties are to full productivity. Twenty-five crop counties will be at or near full productivity value in 2016 while all, but one, noncrop counties are at full productivity value.

The Olympic Averages are becoming more stable as the commodity prices have declined; with a statewide increase of 5.6% in ag land valuation in 2016 compared to 14.1% increase the previous year. Non-crop Olympic Averages have seen only a 2.3% increase for the 2016 year.

The commodity price charts show the average price per crop for the years 2000 through 2014.

Ms. Semmler said the last two documents provide an agricultural snapshot of the level of assessment comparing the productivity system to market.

Mr. Houdyshell said the same packet of information that is sent to all the county directors of equalization may be found on the Department's website, at its property tax page.

Mr. Houdyshell said the levy setting process occurs every year in the Legislature; by the time the 2017 general fund levies for school districts are actually established they will have a clearer picture of the actual numbers. The Department does expect an average statewide ag valuation growth at 6% for the 2016 assessment.

As for the revised Table 1's, Ms. Semmler said the counties will see a lot of changes. In some cases what was listed as noncropland will now be listed as cropland or vice versa and there are brand new soil types being assigned while others will no longer be used. Mr. Houdyshell added that science is better than when the soil ratings were originally developed. The general trend is that more exact data will lead to more accurate assessments and better utilization of the soil survey for the purposes of assessment.

Mr. Chaffee asked why not just use the web soil survey? Mr. Houdyshell said that is a good question, that the same process has been used since the early 80's, and the theoretical basis for the current soil rating system was established in 1974. It is subject to debate and worth exploring if the Legislature and this task force wish to review it.

Mr. Houdyshell said counties and different ag groups have said there is a need to update the Table 1's; therefore, the Department of Revenue has taken on the task. He agreed with Mr. Chaffee that the changes could have widespread effects, and the department will try to ease into those changes.

Mr. Chaffee thinks that the many changes from cropland to noncropland and vice versa may lead to countywide reassessments.

Responding to questions from Representative Feickert, Ms. Semmler explained that each county has its own Table 1. The unit value for a parcel of land will not be the same for each county, based on counties different ratings of the same type of soil and what each county considers the top soil and the top dollar crop.

Mr. Cramer said that with the new soil ratings, his top soil went up 15%, from an .85 rating to a 1 rating. He said part of the reason is that farming methods have changed since 1980.

Senator Tiedemann wondered what impact changing farming practices have on the changing classification of soils. Mr. Houdyshell responded that farming practices change over time; the changing science has changed what NCRS uses in their soil classifications; thirty 30 years ago one soil might have been the top rated in a county, now another soil is. It was also brought out that tiling and irrigation are pure management decisions and don't affect ratings.

Task Force Discussion

The task force discussed individual preferences for the task force to study this summer.

Mr. Chaffee suggested the definition of ag small acreages and native grasses. He said timber would be included within the small ag acreages discussions.

Representative Duvall said National Agricultural Statistics Service data (NASS) no longer is including yearly updates on cash rent data for pasture land. She thinks the task force should discuss how this may impact the assessment process and evaluate the alternatives.

Senator Sutton would like the task force to address that directors of equalization in some counties allow adjustments for actual use in certain instances while others don't. Mr. Rhoden said that there were provisions enacted allowing landowners to request an analysis by the director of the land.

Mr. Rhoden believes going to actual use on native grasslands is an important issue the task force can further study. Some native sod is being taxed as if it were cropland. After trying to come up with a model in Meade County for making adjustments, he acknowledges that it is easier said than done; that there's a lot more to it than just saying to the assessors - go make the adjustments and be fair about it. He is more and more convinced it needs a broader solution. He said it's time for the Legislature to come up with a statewide comprehensive solution.

Mr. Rhoden considers the income requirement to be the most problematic of the three criteria for ag classifications. At one time he had sponsored legislation that instead of picking an arbitrary income figure, would have tied it to a percent of the assessed value of the land. He said these are the ideas this task force is designed and structured to study.

Mr. Wiese commented as we get closer to full productivity value, the shifts will vary from county to county and within school districts. He's trying to understand the movement of taxes paid within the school districts and asked the department to provide information.

Senator Peterson pointed out that, excepting the general school budget levies, all the other tax levies are applied in the same manner. Substantial increases in ag valuations are going to lead to substantial increases in the taxes that ag pays.

Mr. Rhoden said that the increases in the school's capital outlay tax levies and how it impacts ag land taxation remains an issue.

Public Testimony

Ms. Debra Nachtigall, a rancher from Owanka, South Dakota, presented two scenarios to the task force of how 640 acres of her land could be used according to the web soil survey (Document #6). This land is virgin sod that has never been tilled. She showed that there are four different soil ratings on that section of land with different assessments ranging from \$675 to \$795 per acre. In one scenario, the land would remain in native grass, with half of the land used for hay. The hay produced would be

valued at approximately \$46 to \$54 per acre, depending on the soil type. The second scenario involves planting the same acres to wheat; where it would be projected to produce from 20 to 27 bushels per acre, providing an income ranging from \$102 to \$135 per acre. However, approximately 106 acres of this section would produce zero acres of wheat.

Ms. Nachtigall leases her ranch at \$9.33/acre. She said it takes 37.7% of her rental income to pay the property taxes. She concluded that is a significant expense she is facing with the productivity system valuation.

Mr. Chaffee said Ms. Nachtigall had presented a classic example of the need for native soil adjustment. He said farming is occurring all around her ranch. As the county director of equalization, he was able to make some adjustments, allowed per statute, but even with making all the adjustments still can't reach the native grass level.

Mr. Orval Frahm, Oelrichs, South Dakota in Fall River County hopes for support in getting fairness into the property taxation system. He would take the soil rating out of the assessment formula. He rents out all his pasture, his property taxes are 28% of his rental income. A real estate appraiser has appraised the land using a different methodology providing a ratio of taxes to income at 17.3%. He has worked with the director of equalization and said all allowable adjustments have been done; otherwise over half of his rental income would have gone to property taxes.

Mr. Joe Falkenburg, Fall River County Commissioner, Hot Springs, South Dakota asked the task force to not forget the importance of native grass. Although he understands it may not be fair to grow grass on land that is crop rated in most areas of the state; in his area of the state, moisture is the limiting factor. He said the even though the soil looks like it will grow crops, due to lack of water, it can't.

Ms. Susie Simkins, Fall River County Director of Equalization, Hot Springs, South Dakota believes it's very important to preserve the rangeland in western South Dakota. She said much of her county has been rangeland for 100 years because it is not cropable, due to factors such as climate, rainfall, access and terrain. She's made a lot of needed adjustments and said she would be happy to share any data and statistics from her county with the task force. She believes native grasslands are very important.

Ms. Simkins used a section of land owned by Tom White, a local rancher, as an example of problems faced in Fall River County. The north half has all grass rated soils, while the south half has 160 acres of crop rated soils. Mr. White can't crop these 160 acres. She has made the allowable adjustments, still that portion is more than twice its income value based on crop rated soils, therefore, he pays twice as much property taxes on that parcel.

Mr. Tom White, Fall River County cow-calf rancher, Hot Springs, South Dakota said his family has ranches for five generations (Document #7). Generally, on his ranch can support one cow per 32 acres. He gave the example of running 10 cows on the north half of the section and 10 on south half. The ten cows on the north would cost \$40 per head in property taxes per year; while the 10 cows on the south half would cost \$77. He said something has to be done between these two half sections. He will provide more facts to the task force at one of the next meetings. He said the cash rent for his area is around \$9 per acre.

Mr. Perman commented that on occasion, in parts of the state, the value of cropland rated soils is lower than the noncropland rated soils.

Mr. Bill Kluck, Mudd Butte, South Dakota asked the task force to be aware that the percentage of property taxes being paid per cow versus the income received per cow has risen dramatically and that

if cattle prices go down, ranchers will be in financial trouble. His records show that there has been about a tenfold increase in property taxes since 1979, and he believes there has been about a threefold increase in cattle prices.

Mr. Kluck said in West River, people look at land in terms of how many cows it will carry. His place requires 38 acres per cow using the NRCS data. He leases land in both Butte and Meade Counties. The taxes he pays for land leased in Meade County is much higher than Butte County. He said that since the implementation of productivity, the Meade County taxes have almost doubled; there has been a huge shift in taxes to ag land. Mr. Kluck also spoke of Sulfer Creek in Fall River County; that the water is so bad that if cattle drink out of it, they will die. He said bad water affects production and should be factored into the valuation process.

Ms. Brenda Whiting, Rapid City, South Dakota would like the task force to address the criteria for small ag. She said last year's \$1000 income criteria had come from the US Department of Agriculture; she's open to suggestions and would like to work with group.

Next Meeting Date and Staff Direction

The next ag task force meeting was set for 10:00 p.m. on September 21, 2015. Tentatively, the final meeting is set for November 2, 2015.

The task force in a unanimous show of hands, agreed to discuss that all native grasslands be assessed as noncropland.

Senator Sutton favors looking at the small ag acreage criteria and classification. It is his intent to include the timber issue.

Mr. Rhoden said the \$1,000 minimum income criteria used in last years failed SB 44 was too inclusive. He suggested that Mr. Baatz could work on some draft language addressing the problem of how to make the income criteria workable without swinging the door so open that virtually anyone qualifies for ag classification based on that criteria.

Senator Tidemann said that the task force should study the percentage of what the capacity of production could be on that land, to determine if the income criteria has been met.

Senator Cammack said it's important to have basic information, such as how many acres are native grasslands. He suggested that a definition of native grassland be discussed at the next meeting.

Senator Peterson added that the task force doesn't want to put an additional burden on the county assessors. It needs to be decided how far back to look for records that the land has not been tilled, then it would be up to the landowner to provide the documentation to the directors.

Mr. Rhoden thinks that some will call this effort a tax shift with cropland being reclassified as noncropland. Instead, since ag tax assessments have been going up exponentially, Mr. Rhoden believes it will represent a buffering of the increases in ag valuations in the state, not a shift. Especially since many people understand the value of grassland and what it represents, and over the years have seen pasture plowed over to plant crops on ground that should have never been farmed. This land was tilled to take advantage of certain farm programs and most recently because of the increased commodity prices.

Senator Peterson agreed that a lot of research needs to be done on this subject. He said narrowing the issue down to native grasslands eliminates the issues of CRP lands and also any ground that has ever been plowed.

The committee did not show an interest in studying the three-tiered tax levy for county roads, enacted during the 2015 session.

Adjournment

Mr. Lyle Perman moved, seconded by Mr. Kirk Chaffee, TO ADJOURN. The motion prevailed unanimously on a voice vote.

The meeting adjourned at 4:10 p.m.

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